

# AUDITOR/CONTROLLER-RECORDER COUNTY CLERK



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October 29, 2008

**Ron Griffin, Director of Preschool Services**

Preschool Services Department  
662 South Tippecanoe Avenue  
San Bernardino, CA 92415-0630

**SUBJECT: AUDIT OF PRESCHOOL SERVICES CASH CONTROLS**

## Introductory Remarks

In compliance with Article V, Section 6, of the San Bernardino County Charter, the Board of Supervisor's Policy Statement on Internal Operational Auditing, and the Internal Controls and Cash Manual (ICCM), we have completed a cash controls audit of the Preschool Services Department. Our audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

## Background

The Board of Supervisors, by resolution, establishes cash funds for county departments to facilitate their operations. The Board has delegated the County Auditor/Controller-Recorder (ACR) the authority to establish cash funds. Several different types of cash funds are used throughout the County, including petty cash funds, change funds, and cash difference funds. Ordinarily, departments use petty cash funds to buy small items, change funds to make customer change and cash difference funds to reimburse cash shortages that occur during daily operations. Although these cash funds may differ in amount and purpose, the general guidelines governing their establishment, maintenance, dissolution and reconciliation is the same. Departments designate a fund custodian to be in charge of the fund. At all times the fund custodian must be able to account for the fund in the form of cash, vouchers and receipts. Periodically, ACR Internal Audits Section performs surprise cash counts of these cash funds. Upon demand of ACR or the Board of Supervisors, a department's Fund Custodian is to give an accounting of the fund.

ACR has documented some general cash controls in the ICCM for departments with cash funds. However, each department head or authorized designee is responsible to develop and implement the necessary guidelines and procedures required to control, safeguard and handle cash.

### **Objectives, Scope and Methodology**

Our overall objective was to determine whether cash handling controls practiced by the Preschool Services Department effectively safeguarded cash. Specific audit objectives were to determine whether Preschool Services:

1. Properly maintained and secured its cash funds.
2. Made deposits timely and intact.

We reviewed internal controls over cash for the period of February 1, 2008 through March 31, 2008. Our audit included surprise cash counts, verification of deposit records, inquiries of staff, observation of cash handling procedures and other audit procedures considered necessary.

### **Conclusion**

As a result of our analysis and tests performed, we concluded that cash handling controls practiced by the Preschool Services Department could be strengthened. We identified several procedures and practices that could be improved. We have listed these areas and our recommendations for improvement in the Findings and Recommendation section of this report.

We sent a draft report to Preschool Services on October 8, 2008 and discussed our observations with management on October 15, 2008. The department's responses to our recommendations are included in this report.

### **FINDINGS AND RECOMMENDATIONS**

#### **Finding # 1: Noncompliance with Proper Safe Access Procedures.**

Per Internal Controls and Cash Manual (ICCM) Chapter 3, combinations of safes should be changed when an employee who has knowledge of the combination terminates County employment, is transferred to another County department, or is assigned other duties. Even if there are no staffing changes, combinations must be changed annually. We found the combination of the safe at Administration Office was not changed in approximately 7 ½ years.

The lack of compliance with the County Internal Controls and Cash Manual can lead to cash losses.

**Recommendations**

Change the combination of the safe at least annually even if there are no staffing changes.

**Management's Response:**

Preschool Services (PSD) agrees with the above finding and is currently working with the vendor to change the safe combination. PSD will also ensure the combination is changed each time staff with knowledge of the combination terminates County employment, is transferred to another County department, or is assigned other duties. In the event there are no staffing changes, the combination will be changed annually. Corrective action is expected to be fully implemented by June 30, 2009.

**Auditor's Response:**

The Department's planned actions will correct the deficiencies noted in the finding.

**Finding # 2: Reimbursements for payments were made without original invoices/receipts.**

Per Internal Controls and Cash Manual (ICCM) Questionnaire Chapter 2, staff should ensure that only original invoices are submitted for payment. However, in two instances, reimbursements for payments were made without an original invoice/receipt. The original receipts were not canceled or marked paid when received at a later date.

Making payments/reimbursements on photocopied invoices/receipts increases the risk of making duplicate and/or unauthorized payments.

**Recommendations**

Obtain an original invoice/receipt to avoid making duplicate payments/reimbursements. Write "Only Copy Available" when an original is unavailable and the reason why the original is not available.

Ensure that invoices/receipts are canceled after payment is made (if for any reason the original was not sent to Administration Office).

**Management's Response:**

PSD agrees with the above finding and has reminded Administration staff to continue the following practice:

- Request an original invoice/receipt to support payments/reimbursements;
- Write "Only Copy Available" when an original is unavailable; and
- Document the reason why the original is not available.

Further, cash handling training will be provided at the Education Forum scheduled for November 21, 2008. Invited attendees for this segment are Program Supervisors, Site Supervisors, and Center Clerks from all PSD sites throughout the County.

**Auditor's Response:**

The Department's planned actions as well as actions taken correct the deficiencies noted in the finding.

Thank you very much for the cooperation extended by your staff during the course of this audit.

Respectfully submitted,

**Larry Walker**  
Auditor/Controller-Recorder

By: \_\_\_\_\_  
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